WOODWARD



Fiscal Year 2022 First Quarter Results

January 31, 2022

Today’s Agenda

▪ Highlights	Dan Provaznik
▪ Market Review	Tom Gendron
▪ Financial Results & Outlook	Mark Hartman
▪ Q&A	

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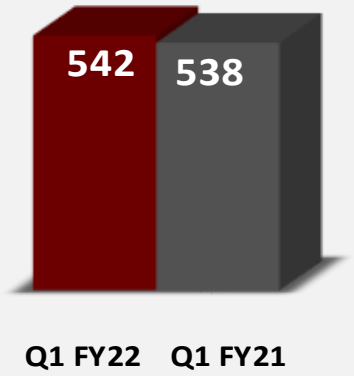
Cautionary Statement

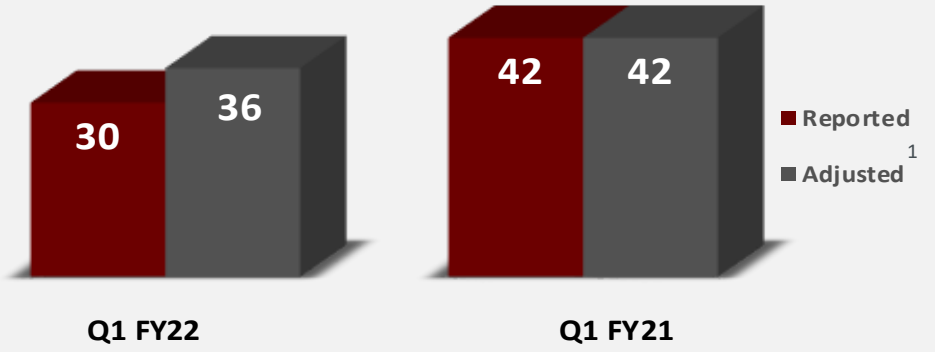
Information in this presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties, including, but not limited to, statements regarding our business and financial outlook for fiscal 2022, including trends in our business, statements about the continued and expected or potential effects of the COVID-19 pandemic on our business and the management of our business, including supply chain constraints and labor shortages, the continued market volatility and expected uneven recovery in our markets, the ongoing challenges in the China natural gas truck market, the continued and expected uncertainty and volatility around the pace of recovery in our markets, the strength of our financial position and our ability to maintain our financial position, our future ability to generate robust cash flow, the anticipated return of annual variable incentive compensation, our ability to effectively deliver on our positive fiscal 2022 outlook, and expectations related to the performance of our segments and specific markets within those segments; our future sales and the anticipated future sales growth, earnings, earnings per share and adjusted earnings per share, segment earnings as a percent of segment net sales, cash flows, free cash flows and adjusted free cash flows, working capital and the anticipated higher working capital requirements, expected increases in capital expenditures, effective tax rate; and the amount and timing of any potential repurchase of shares under the company's authorized two-year $800 million stock repurchase program and our commitment to returning capital to stockholders via repurchases and cash dividends while concurrently investing in our business to support future growth. Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties, and assumptions that are difficult to predict. Factors that could cause actual results and the timing of certain events to differ materially from the forward-looking statements include, but are not limited to, the COVID-19 pandemic and related significant volatility in financial, product, service, commodities (including oil and gas) and other markets and industries (including the aviation industry); a decline in our customers' business, or our business with, or financial distress of, Woodward's significant customers; global economic uncertainty and instability in the financial markets, including inflationary pressures; Woodward's ability to manage product liability claims, product recalls or other liabilities associated with the products and services that Woodward provides; Woodward's long sales cycle, customer evaluation process, and implementation period of some of its products and services; Woodward's ability to implement and realize the intended effects of any restructuring efforts; Woodward's ability to successfully manage competitive factors, including prices, competitor product development, industry consolidation, and commodity and other input cost increases; Woodward's ability to manage expenses and product mix while responding to sales increases or decreases; the ability of Woodward's suppliers to perform contractual obligations and to provide Woodward with materials of sufficient quality or quantity required to meet Woodward's production needs at favorable prices or at all; Woodward's ability to monitor its technological expertise and the success of, and/or costs associated with, its product development activities; consolidation in the aerospace market and our participation in a strategic joint venture with General Electric Company may make it more difficult to secure long-term sales in certain aerospace markets; Woodward's debt obligations, debt service requirements, and ability to operate its business, pursue its business strategies and incur additional debt in light of covenants contained in its outstanding debt agreements; Woodward's ability to manage additional tax expense and exposures; risks related to Woodward's U.S. Government contracting activities, including liabilities resulting from legal and regulatory proceedings, inquiries, or investigations related to such activities; the potential of a significant reduction in defense sales due to decreases, delays or changes in the amount of U.S. Federal defense spending or other specific budget cuts impacting defense programs in which Woodward participates; changes in government spending patterns, priorities, subsidy programs and/or regulatory requirements; future impairment charges resulting from changes in the estimates of fair value of reporting units or of long-lived assets; environmental liabilities related to manufacturing activities and/or real estate acquisitions; Woodward's continued access to a stable workforce and favorable labor relations with its employees; physical and other risks related to Woodward's operations and suppliers, including natural disasters and COVID-19 related impacts, which could disrupt production; Woodward's ability to successfully manage regulatory, tax, and legal matters; impacts of tariff regulations; risks from operating internationally, including the impact on reported earnings from fluctuations in foreign currency exchange rates, and compliance with and changes in the legal and regulatory environments of the United States and the countries in which Woodward operates; industry risks, including increases in natural gas prices, unforeseen events that may reduce commercial aviation, such as diseases, epidemics, pandemics and natural disasters, and increasing emissions standards; any adverse effects on Woodward's operations due to cybersecurity breaches or other information technology system interruptions or intrusions; and other risk factors described in Woodward's filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the fiscal year ended September 30, 2021, as well as its Quarterly Report on Form 10-Q for the first quarter ended December 31, 2021, which we expect to file shortly, and other risks described in Woodward's filings with the Securities and Exchange Commission.

Q1 Fiscal Year 2022 Consolidated Results

Woodward Sales (mil $)

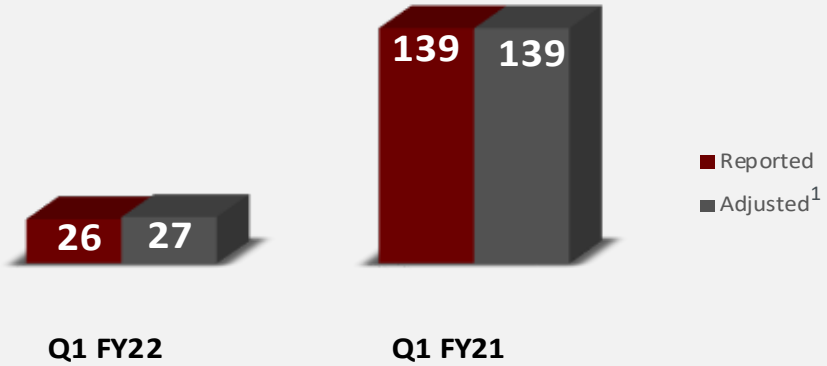


Net Earnings (mil $)

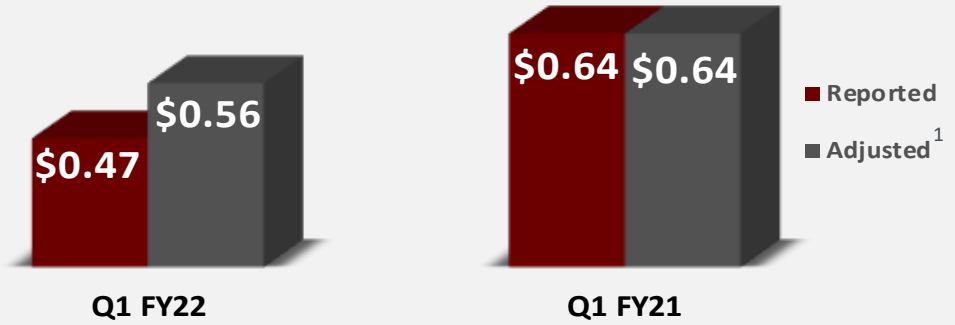


Free Cash Flow[1] (mil $)

(Fiscal Year-to-Date)



Earnings Per Share



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Summary

Positive signs of recovery across our markets

Shipments impacted by industry-wide COVID-19 related supply chain constraints, labor shortages, and customer-initiated shipment delays

Strong financial position

- Approximately $1.4B of liquidity: combined cash on hand and revolver capacity
- Leverage at 1.7x EBITDA[1] at end of Q1

Continuing to invest and position Woodward to capitalize on future opportunities

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Aerospace

Commercial OEM

- 38% sales increase for the quarter versus prior year period
- OEM production rates increasing as domestic passenger traffic nears pre-COVID levels, international traffic lagging

Commercial aftermarket

- 31% sales increase for the quarter versus prior year period
- Increased utilization of the commercial fleet which includes higher Woodward content

Defense

- Markets were stable
- Guided weapons softening as anticipated

A320neo



737 MAX





F-35

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Industrial

Power generation

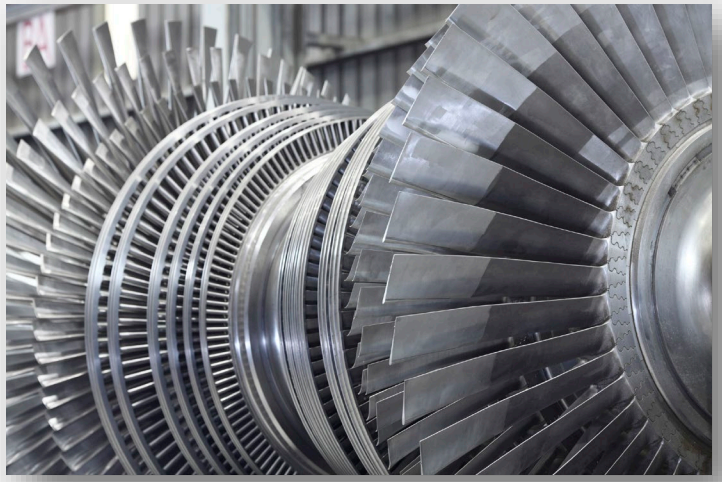
- Strong demand for gas turbines primarily on growth in Asia and the replacement of coal powered plants
- Strong demand for data center back up power

Transportation

- Marine markets improving on new ship orders and increased utilization
- China natural gas truck market challenged
  - Global natural gas prices trending down after peaking late in the last calendar year

Oil and gas

- Oil prices above pre-2020 levels, prompting increased levels of capital spending





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Aerospace Q1 Fiscal Year 2022 Results

Segment net sales

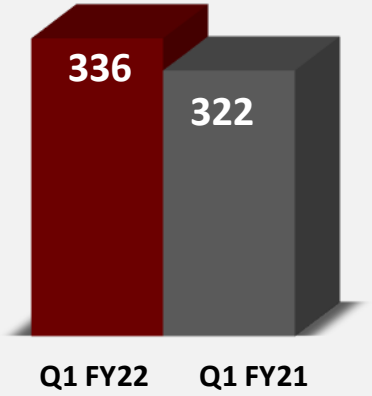
- Higher commercial OEM and aftermarket
- Defense OEM down on lower guided weapons
- Defense aftermarket impacted by supply chain disruptions

Segment earnings

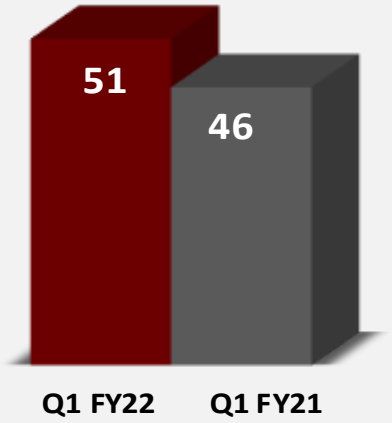
- Higher commercial sales volumes



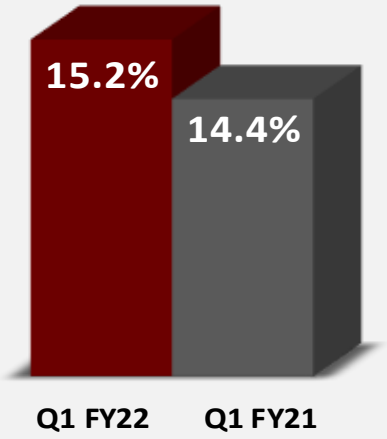
Aerospace Sales (mil $)



Segment Earnings (mil $)



Segment Margin



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Industrial Q1 Fiscal Year 2022 Results

Segment net sales

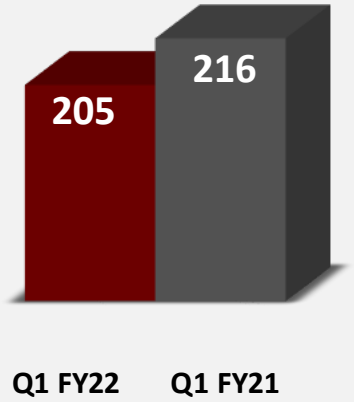
- Weakness in China natural gas truck engines
- Improvements in marine

Industrial segment earnings

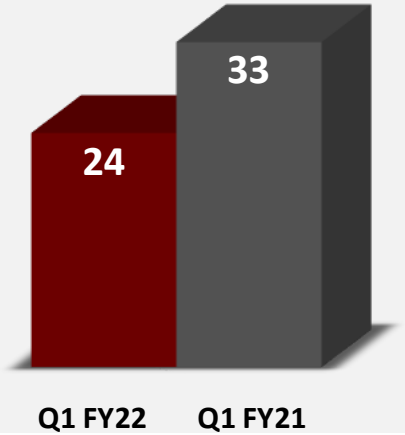
- Lower volumes, product mix, and net inflationary impacts



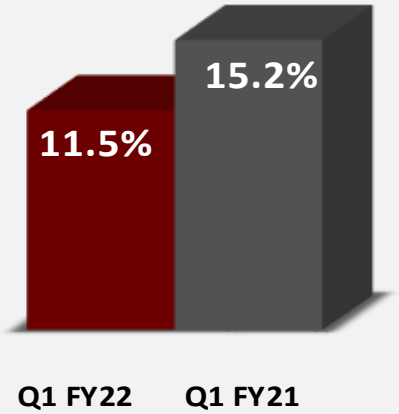
Industrial Sales (mil $)



Segment Earnings (mil $)



Segment Margin



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Selected Financial Items

Quarter-to-Date Comparatives	Q1 FY 22	Q1 FY 21
Gross Margin *	22.6%	25.3%
SG&A Expenses - % of Sales	11.5%	10.4%
R&D Expenses - % of Sales	4.7%	6.0%
Effective Tax Rate	19.7%	12.6%
EBITDA[1] (mils)	$ 76	$ 89
Adjusted EBITDA[1] (mils)	$ 84	$ 89
Cash from Operations (mils)	$ 39	$ 147
Capital Expenditures (mils)	$ 13	$ 7
Free Cash Flow[1] (mils)	$ 26	$ 139
Adjusted Free Cash Flow[1] (mils)	$ 27	$ 139

* *Gross margin defined as (Net Sales less Cost of Goods Sold) / (Net Sales)*

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Capital Deployment to Stockholders

During Q1 FY2022, $37M was returned to stockholders

- $10M in dividends
- $27M in repurchased shares

Q2 FY2022 dividend increased to $0.19 per share, up approximately 17% from the prior quarter's dividend

Board-authorized stock repurchase program, in which up to $800M may be purchased over two years

"Given our strong financial position and positive financial outlook, including our ability to generate robust cash flow, we remain committed to returning capital to stockholders via stock repurchases and cash dividends, while concurrently investing in our business to support future growth."

Thomas A Gendron
Chairman and Chief Executive Officer

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Fiscal Year 2022 Outlook

COVID-19 related disruptions persisted in the quarter, although improvement is anticipated in the remainder of fiscal year 2022.

Woodward

- Revenue between $2.45 and $2.65 billion
- Adjusted effective tax rate[1] ~21%
- Adjusted earnings per share between $3.55 and $3.95
- ~66 million shares
- Adjusted free cash flow ~$315M
  - Adjusted free cash flow conversion greater than 100%
  - Capital expenditures ~$65M, $30M higher YOY

Aerospace

- Revenue up low double digits to mid-teens
- Margin up ~200 to 300 basis points

Industrial

- Revenue up low double digits to mid-teens
- Margin ~flat to up 150 basis points

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Appendix

Non-U.S. GAAP Measures

Woodward, Inc. and Subsidiaries

RECONCILIATION OF EARNINGS TO ADJUSTED EARNINGS[1]

(Unaudited - in thousands, except per share amounts)

	Three-Months Ended December 31, 2021			*Three-Months Ended December 31, 2020*		
	Earnings Before Income Tax	*Net Earnings*	*Earnings Per Share*	*Earnings Before Income Tax*	*Net Earnings*	*Earnings Per Share*
Earnings (U.S. GAAP)	$ 37,746	$ 30,305	$ 0.47	$ 47,584	$ 41,570	$ 0.64
Non-U.S. GAAP adjustments:						
Non-recurring matter unrelated to the ongoing operations of the business	5,000	3,750	0.06	-	-	-
Business development activities	2,982	2,236	0.03	-	-	-
Total non-U.S. GAAP adjustments	7,982	5,986	0.09	-	-	-
Adjusted earnings (Non-U.S. GAAP)	$ 45,728	$ 36,291	$ 0.56	$ 47,584	$ 41,570	$ 0.64

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Non-U.S. GAAP Measures (cont.)

Woodward, Inc. and Subsidiaries

RECONCILIATION OF NET EARNINGS TO EBIT[1] AND ADJUSTED EBIT[1]

(Unaudited - in thousands)

	Q1 FY22	*Q1 FY21*
Net earnings (U.S. GAAP)	$ 30,305	$ 41,570
Income taxes	7,441	6,014
Interest expense	8,306	8,906
Interest income	(641)	(495)
EBIT (Non-U.S. GAAP)	45,411	55,995
Non-U.S. GAAP adjustments*	7,982	-
Adjusted EBIT (Non-U.S. GAAP)	$ 53,393	$ 55,995

*See Reconciliation of Earnings to Adjusted Earnings[1] table above for the list of Non-U.S. GAAP adjustments made in the applicable periods.

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Non-U.S. GAAP Measures (cont.)

Woodward, Inc. and Subsidiaries

RECONCILIATION OF NET EARNINGS TO EBITDA[1] AND ADJUSTED EBITDA[1]

(Unaudited - in thousands)

	Q1 FY22	*Q1 FY21*
Net earnings (U.S. GAAP)	$ 30,305	$ 41,570
Income taxes	7,441	6,014
Interest expense	8,306	8,906
Interest income	(641)	(495)
Amortization of intangible assets	9,688	10,469
Depreciation expense	21,033	22,608
EBITDA (Non-U.S. GAAP)	76,132	89,072
Non-U.S. GAAP adjustments*	7,982	-
Adjusted EBITDA (Non-U.S. GAAP)	$ 84,114	$ 89,072

*See Reconciliation of Earnings to Adjusted Earnings[1] table above for the list of Non-U.S. GAAP adjustments made in the applicable periods.

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Non-U.S. GAAP Measures – (cont.)

Woodward, Inc. and Subsidiaries

RECONCILIATION OF CASH FLOW FROM OPERATING ACTIVITIES TO FREE CASH FLOW[1]

(Unaudited - in thousands)

	YTD FY22	*YTD FY21*
Net cash provided by operating activities (U.S. GAAP)	$ 39,290	$ 146,725
Payments for property, plant, and equipment	(13,123)	(7,263)
Free cash flow (Non-U.S. GAAP)	26,167	139,462
Cash paid for business development activities	770	-
Cash paid for restructuring charges	505	-
Adjusted free cash flow (Non-U.S. GAAP)	27,442	139,462

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Explanation of Non-U.S. GAAP Measures

[1]Adjusted and Non-U.S. GAAP Financial Measures: Adjusted net earnings, adjusted earnings per share, adjusted EBIT, adjusted EBITDA, adjusted effective tax rate, and adjusted nonsegment expenses exclude, as applicable, (i) costs related to business development activities and (ii) a charge related to a non-recurring matter unrelated to the ongoing operations of the business. Woodward believes that these items are short-term costs or charges and are otherwise not related to the ongoing operations of the business. Therefore, Woodward uses them to illustrate more clearly how the underlying business of Woodward is performing. Adjusted free cash flow is free cash flow (defined below) plus the cash payments for costs related to business development activities and restructuring activities. Management believes these adjustments to free cash flow better portray Woodward's operating performance. Guidance with respect to non-U.S. GAAP measures as provided in this release excludes, as applicable, costs, charges and payments related to (i) business development activities, and (ii) restructuring activities.

EBIT (earnings before interest and taxes), EBITDA (earnings before interest, taxes, depreciation and amortization), free cash flow, adjusted free cash flow, adjusted net earnings, adjusted earnings per share, adjusted EBIT, adjusted EBITDA, adjusted effective tax rate, and adjusted nonsegment expenses are financial measures not prepared and presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Management uses EBIT and adjusted EBIT to evaluate Woodward's operating performance without the impacts of financing and tax related considerations. Management uses EBITDA and adjusted EBITDA in evaluating Woodward's operating performance, making business decisions, including developing budgets, managing expenditures, forecasting future periods, and evaluating capital structure impacts of various strategic scenarios. Management also uses free cash flow, which is derived from net cash provided by or used in operating activities less payments for property, plant, and equipment, as well as adjusted free cash flow (as described above), in reviewing the financial performance of Woodward's various business segments and evaluating cash generation levels. Securities analysts, investors, and others frequently use EBIT, EBITDA and free cash flow in their evaluation of companies, particularly those with significant property, plant, and equipment, and intangible assets that are subject to amortization. The use of any of these non-U.S. GAAP financial measures is not intended to be considered in isolation of, or as a substitute for, the financial information prepared and presented in accordance with U.S. GAAP. Because EBIT, EBITDA, adjusted EBIT, and adjusted EBITDA exclude certain financial information compared with net earnings, the most comparable U.S. GAAP financial measure, users of this financial information should consider the information that is excluded. Free cash flow does not necessarily represent funds available for discretionary use and is not necessarily a measure of our ability to fund our cash needs. Management's calculations of EBIT, EBITDA, adjusted net earnings, adjusted earnings per share, adjusted EBIT, adjusted EBITDA, adjusted effective tax rate, adjusted nonsegment expenses, free cash flow, and adjusted free cash flow may differ from similarly titled measures used by other companies, limiting their usefulness as comparative measures.

[2]Website, Facebook, Twitter: Woodward has used, and intends to continue to use, its Investor Relations website, its Facebook page and its Twitter handle as means of disclosing material non-public information and for complying with its disclosure obligations under Regulation FD.

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ALWAYS INNOVATING FOR A BETTER FUTURE



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